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FIRST COUNTRY COOPERATION FRAMEWORK FOR SLOVAKIA

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INTRODUCTION

1. During the first half of 1996, priority areas for the first country cooperation framework (CCF) were discussed in consultations within the Government of Slovakia and with a number of private institutions. In the context of the preparation of the national human development report, current problems of human resources development and their relevance for the socio-economic development of the country were addressed and discussed, with UNDP participation.

I. DEVELOPMENT SITUATION FROM A SUSTAINABLE HUMAN DEVELOPMENT PERSPECTIVE

2. At the beginning of the transition process in countries in Central and Eastern Europe, the former Czech and Slovak Federal Republic embarked on radical market-oriented reforms. Slovakia was hit harder by the reforms and the disintegration of the Soviet bloc markets than the Czech Republic, since the structure of its industry was much more oriented towards Eastern Europe. In addition, for Slovakia, the subsequent division of the former Czech and Slovak Federal Republic resulted in the need to establish new administrative structures at great cost and effort. The ensuing decrease in productivity and fast-growing unemployment led to sharply declining living standards. The downturn in the economy started in 1990 and deepened in 1991, but began to ease in the following years. With gross domestic product (GDP) growing by 4.8 per cent in real terms, 1994 was the first year of recovery; 1995 showed a remarkable growth of 7.4 per cent in GDP. Growing opposition to the reforms led successive Governments to carefully balance the need to accelerate reforms while maintaining popular support by cushioning their social consequences. The strategic goal of the Government is to lay down the foundations for reaching, by the year 2000 (at the latest by 2010), a level of economic performance and standard of living comparable to that of the more developed countries of Europe. Towards that end, Slovakia aims to become a full member of the European Union by the year 2000.

3. With respect to the UNDP priority areas of focus for sustainable human development, a summary of the national development situation is presented below.

Governance

4. The 1989 political changes were followed by the establishment of a pluralistic democratic society, requiring new political and administrative structures. However, the transformation of governance took place initially in the context of the Czech and Slovak Federal Republic, and after 1993, in the framework of the independent Slovak Republic, which required its own administrative structures, separate from those of the Czech Republic. The State and its agencies have since undergone far-reaching transformations. Parliamentary democracy was established in 1993 and the division of state power into legislative, executive and judicial components was firmly anchored in the Constitution and in institutions of the State and society. Furthermore, local governments were reformed and a new territorial and administrative structure is currently being put into place. As an associate member of the European Union,

and with the aim of becoming a full member, a wide-ranging programme of reform of the legislature and procedures governing the implementation of legislation has been set in motion, constituting a major challenge to the Government and people of Slovakia.

Standard of living and poverty eradication

5. Since 1989, structural changes in the economy have affected each level of the society in a different way. Overall, the transition from a centrally planned economy to a market economy led initially to a drop in real income per capita of some 22 per cent. Over the past year, however, the situation has stabilized. The cost of living for farmers has increased the most, mainly because the largest proportion of the expenses of this group consisted of non-food items, i.e., goods with the fastest growing prices. However, while the transition has negatively influenced the incomes of a large majority of the population, according to the national human development report, actual poverty has only increased slightly, namely, from 1.8 per cent in 1988 to 2.8 per cent in 1992. Those most affected are single parent households, households with a large number of children and some young families. In summary, while poverty affects some categories of people in Slovak society, it is not a widespread phenomenon of major social impact.

Employment and sustainable livelihoods

6. The country's transition from a centrally planned to a market economy resulted, particularly in 1990 and 1991, in a sharp decline in employment levels. The Slovak economy was especially vulnerable, owing to its heavy dependence on trade with the countries that were members of the former Council for Mutual Economic Assistance (COMECON countries) and a semi-product-based industrial structure, which was heavily dependent on imported raw materials. In particular, the Slovak economy suffered from the shrinking of the armaments industry, Soviet purchases of western instead of Slovak capital goods after the late 1980s, and trade barriers in the European Union to such Slovak exports as steel. Later, these problems were aggravated by a general drop in domestic demand, inflation, and the lack of competitiveness of domestic production.

7. At the same time, the labour market underwent important structural changes. The number of people employed in the public sector dropped to 996,800, while the number of people employed in the private sector increased to 1,183,500 (July 1996). The total number of persons employed in Slovakia currently stands at 2,180,300, 54 per cent of whom are employed in the private sector and 46 per cent of whom are employed in the public sector. The growth in employment expected to be induced by private sector development has been slow to materialize. Nevertheless, there are encouraging signs, and the development of the labour market appears to be stabilizing, stimulated by an active governmental labour market policy being implemented through a variety of means, including job creation programmes, retraining, and employment of people requiring special care.

Environment

8. Due to a disregard for environmental and sustainable development considerations during the period of the centrally planned economy, by 1989, pollution had reached levels that posed serious threats to public health. In particular, the emphasis on heavy industry combined with uneconomical energy use resulted in excessive volumes of waste, an increasing demand for energy and material inputs and the deterioration of the environment in general. With the political changes that took place after 1989, awareness of the need for environmental protection increased. As a response to this situation, the Government created a Ministry of Environment and is now pursuing a very active environmental policy. In 1992, the Government adopted the concepts of environment monitoring in the territory of the Slovak Republic and an integrated information system on the environment. Following the United Nations Conference on Environment and Development and other important international meetings, a state environment policy and a national action programme were adopted. The essential goal of the environmental policy is to re-establish a dynamic balance between society and the environment. A sizeable programme relating to environmental management has been put in place and is starting to show results.

Gender

9. Out of a total population of 5.4 million in Slovakia, 2.77 million or 51.3 per cent are women. Of the total labour force, 42.3 per cent are female. The majoring of women work full-time.

10. The Government pursues a policy of gender equality, especially with regard to employment. An increase in the number of women in management positions and in sectors such as education and health is being promoted. The position of women at the management level, however, varies from one sector to another. In general, women are more widely represented at lower management levels. With regard to Members of Parliament, 14 per cent are women.

11. Although Slovakia has ratified the United Nations Convention on the Elimination of all Forms of Discrimination Against Women, and while the equal status of men and women is specified in the Constitution, women and men are still treated differently. For instance, on average, women's remuneration is 10 to 15 per cent lower than that of men.

II. RESULTS AND LESSONS OF PAST COOPERATION

12. The first country programme (DP/CP/SLO/1) covered only the period 1994-1996, as during 1992 and 1993, Slovakia received UNDP assistance under the country programme for the former Czech and Slovak Federal Republic. The latter programme was not assessed when the first country programme for Slovakia was prepared, since the Government did not consider it appropriate.

13. Since January 1993, fifteen projects have been approved for the Slovakia, in the fields of:

(a) Restructuring the economy, investment promotion, and support to private enterprises. Development of tourism figured among the successful projects;

(b) Management development and human resources development.

14. A mid-term review has not been held, since the time-span covered by the 1994-1996 country programme has been too short. However, the following lessons may be drawn from the experience of the first country programme. Most of the fifteen projects contained in the programme were relatively small: six projects had budgets of $30,000 or less; five projects had budgets between $50,000 and $100,000; four projects had budgets of $100,000 or more; and the largest project had a budget of $200,000. With only a limited amount of budgeted core resources, this relatively large number of projects resulted in fragmentation of the programme, making programme management more cumbersome. At the end of 1995, 23 per cent of allocated funds had been spent. Therefore, it was concluded that the number of projects in the first CCF should be reduced.

15. Reporting on project activities was carried out at the national level. However, there was no systematic evaluation of the impact and quality of projects by UNDP and the Government, pointing to the need for adequate attention to joint project monitoring, impact assessment and evaluation of projects covered under the first CCF.

16. Both agency and national execution have been the modalities for implementation of the first country programme. Sufficient experience and capacity has now been gained to justify a fully nationally executed programme. For certain specific services, agency support will remain useful, but will take the form of support provided by an "associated executing agency".

III. PROPOSED STRATEGY AND THEMATIC AREAS

17. The overall purpose of the first CCF is the promotion of sustainable human development through private sector development, including the development and promotion of small- and medium-scale enterprises, and management of the environment. Gender concerns will be adequately reflected in all areas of cooperation. A summary of the priority issues to be addressed under the first CCF is presented below.

Private sector development

18. Development of small- and medium-scale enterprises. With the changes in the main urban centres and their direct surroundings brought about by the transition, regional disparities in employment and income levels have therefore increased. One of the important instruments to stimulate employment and economic growth in the regions is the promotion of a flourishing local private sector involved in small-scale industry, commerce and exports. UNDP assistance will be used to initiate a pilot scheme in this respect, which will be

complemented by support from the related regional small- and medium-scale enterprises project based in Romania.

19. Assistance to activities supporting the economic transition to a market economy, in particular, those related to human resources management, educational programmes and transfer of knowledge to key industries. UNDP support will help to strengthen the country's capacity to attract private investment.

Environment management

20. Although much progress has been made in the area of environment and the protection of natural resources, there remains a need for continued action in terms of capacity-building, implementation of Capacity 21 activities and support for the implementation of Global Environment Facility-funded activities in Slovakia. UNDP will focus its support on the introduction and application of environmentally sound technologies and the review and adjustment of Slovak environmental legislation, regulations and standards, in view of the countries planned admission to the European Union.

Other areas

21. In the very near future, Slovakia will be admitted as a member to the Organisation for Economic Cooperation and Development. In connection with this membership, the country intends to prepare itself to play an increasing role in international economic relations and eventually to participate in development cooperation. UNDP will assist in the building of capacity in the areas of economic negotiations and development assistance management.

22. The people-centred and sustainable human development-oriented priorities summarized above reflect the Government's commitment to a policy of rapid economic progress during a transition period to which it has devoted considerable human and financial resources. National ownership will be enhanced through national execution.

23. The scope for coordination of development cooperation is limited, since the country receives assistance from only a few sources, the most important being the European Union, the World Bank, the United States Agency for International Development, the Government of Germany and the British Know How Fund. Moreover, several donors are providing their support directly to the private sector, non-governmental organizations and cultural or scientific institutions, without passing through governmental channels. Whenever feasible and appropriate, the Government will make the necessary coordination arrangements.

24. With regard to the potential impact of UNDP cooperation, support provided under the previous programme to the development of the tourist industry (composition of a handbook for foreign investors and training of mayors) was considered an important contribution. Due to the limited time the programme was operational, it is difficult to assess what the overall impact will be. The positive impact of future cooperation will require a judicious choice of projects and subprojects.

IV. MANAGEMENT ARRANGEMENTS

Execution and implementation

25. National execution will be the normal modality for executing UNDP-assisted projects in Slovakia, although the services of United Nations specialized agencies and the United Nations Office for Project Services for specific components and budget lines may be sought, as required. Appropriate training in accounting and reporting will be provided for national project managers and financial officers, to ensure that accounting and auditing requirements are met.

26. Implementation of the programme will be organized mainly under two umbrella projects, namely: (a) private sector development, including assistance to small- and medium-scale enterprises; and (b) environmental management. Both projects will be executed nationally. The project manager will be assisted by a steering committee, which will consider the specific activities to be supported in the context of the overall criteria specified in the project documents. Implementation modalities such as the Untied Nations Volunteer programme, Transfer of Knowledge Through Expatriate Nationals, United Nations Short-Term Advisory Services and technical cooperation among developing countries will be used as appropriate, subject to the availability of funding.

27. The Regional Bureau for Europe and the Commonwealth of Independent States sub-office in the region will backstop the programme, in close consultation with the Government coordinating unit in the Ministry of Foreign Affairs. A UNDP national programme/administrative officer will be responsible for all daily management activities (programme and financial).

Monitoring, review and reporting

28. Projects will be reviewed to ensure that targets and benchmarks are fixed, and that they are fully results-oriented. Progress will be monitored according to UNDP requirements, namely, through annual progress and performance and evaluation reports (or semi-annual reports for shorter duration projects, or if considered necessary), terminal reports at the end of the project, and technical reports, as required, as well as monitoring visits and tripartite review meetings.

Resource mobilization

29. In view of the limited UNDP resources available, particular attention will be paid to continuing efforts to mobilize additional resources through third-party cost-sharing or trust funds. The Government is considering an additional cost-sharing contribution.

Annex

RESOURCE MOBILIZATION TARGET TABLE FOR SLOVAKIA (1997-1999)

(In thousands of United States dollars)

Source	Amount	Comments
UNDP CORE FUNDS		
Estimated IPF carry-over	1 244	
TRAC 1.1.1	166	Assigned immediately to country.
TRAC 1.1.2	0 to 66.7 per cent of TRAC 1.1.1	This range of percentages is presented for initial planning purposes only. The actual assignment will depend on the availability of high-quality programmes. Any increase in the range of percentages would also be subject to availability of resources.
Other resources	540	In line with decision 95/23, paragraph 19.
SPPD/STS	43	
Subtotal	1 993 a/	
NON-CORE FUNDS		
Government cost-sharing	74	
Sustainable development funds	-	
Third-party cost-sharing	-	
Funds, trust funds and other	-	
Subtotal	74	
GRAND TOTAL	2 067 a/	

a/ Not inclusive of TRAC 1.1.2, which is allocated regionally for subsequent country application.

Abbreviations: IPF = indicative planning figure; SSPD = support for policy and programme development; STS = support for technical services; and TRAC = target for resource assignments from the core.